

D.P.U. 93-3D

Application of Commonwealth Electric Company under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 275, for approval by the Department of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months January, February and March 1994.

Application by Commonwealth Electric Company for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. 8.00 and M.D.P.U. 251. The rules established in 220 C.M.R. 8.00 set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

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FOR: COMMONWEALTH ELECTRIC COMPANY
Petitioner

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I. INTRODUCTION

On December 3, 1993, pursuant to G.L. c. 164, § 94G and 220 C.M.R. 8.00, Commonwealth Electric Company ("Commonwealth" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 275, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 251. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of January, February and March 1994.

Commonwealth, a wholly owned subsidiary of Commonwealth Energy System ("ComEnergy") serves approximately 258,000 retail customers in 38 cities and towns in southeastern Massachusetts, on Cape Cod and on Martha's Vineyard. ComEnergy is an exempt holding company under the Public Utility Holding Company Act of 1935. ComEnergy's other subsidiaries, affiliates of Commonwealth, include Cambridge Electric Light Company ("Cambridge"), Canal Electric Company ("Canal"), Commonwealth Gas Company and Commonwealth Energy Service Company ("ComEnergy Service"). Commonwealth operates several small oil/gas-fired generating units and has contractual interests in Pilgrim 1, Yankee Rowe and Point Lepreau nuclear units. The Company also

¹ The electric operating subsidiaries are referred to collectively as "ComElectric."

has contractual interests in Canal Unit 1 and Canal Unit 2, two large oil-fired units operated by the Company's affiliate, Canal.

Pursuant to notice duly issued, a public hearing on the Company's application was held on December 22, 1993, at the Department's offices in Boston. Notice of the hearing was published by the Company in the New Bedford Times, the Cape Cod Times and the Boston Globe. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it was proposing an adjustment to its fuel charge. The Company was also required to inform all intervenors of the date of the public hearing. The Attorney General of the Commonwealth ("Attorney General") intervened as of right in this proceeding pursuant to G.L. c. 12, § 11E.

At the hearing, the Company sponsored two witnesses: Charles R. Fox, Jr., senior rate analyst in rate administration at ComEnergy Service, and Michael R. Kirkwood, manager of power supply administration for ComElectric. The Company submitted six exhibits: the prefiled testimony of Mr. Fox (Exh. CEC-1); schedules in support of Mr. Fox's testimony (Exh. CEC-2); bills and contracts for fuel oil supplies, purchased power and transmission services for September, October and November 1993 (Exh. CEC-3); the prefiled testimony of Mr. Kirkwood

(Exh. CEC-4); schedules in support of Mr. Kirkwood's testimony (Exh. CEC-5); and corrections to Schedule 13 of Exh. CEC-5 (Exh. CEC-6). The Department also issued one Record Request pertaining to pre-collected capacity charges, which the Company responded to on December 27, 1993 (RR-DPU-1²).

II. FUEL CHARGE

On December 15, 1993, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for January, February and March 1994. For these billing months, the Company proposes a fuel charge of \$0.06649 per kilowatt hour ("KWH") (RR-DPU-1)³. The proposed fuel charge is \$0.00007 per KWH less than the fuel charge of \$0.06656 per KWH approved by the Department in Commonwealth Electric Company D.P.U. 93-3C (1993) for meter readings for the billing months of October, November and December 1993 id.; Exh. CEC-1, at 4).

The Company offered several reasons for the decrease in the

² In Commonwealth Electric Company D.P.U. 93-3B (1993), the Department authorized that the Company's fuel charge for the third quarter of 1993 include capacity costs associated with new contracts to take effect during the fourth quarter of 1993. Id. at 4-5. The pre-collected capacity charges plus accrued interest served to offset the Company's recoverable fuel charge expenses for the fourth quarter in an attempt to mitigate expected volatility in the Company's quarterly fuel charge between the two quarters Id..

³ The Company originally proposed a fuel charge of \$0.00652 per KWH (Exhs. CEC-1, at 4, CEC-2, Sch. 1). In its response to Record Request DPU-1, the Company revised its proposed fuel charge in order to credit to its ratepayers interest accrued on the pre-collected capacity charges throughout the fourth quarter of 1993.

proposed fuel charge id. at 6-7). The Company first explained that recoverable costs for the next quarter are projected to be \$6,745,494 more than the recoverable costs included in Commonwealth Electric Company D.P.U. 93-3C (1993) (Exh. CEC-1, at 6). The net increase in recoverable costs normally causes an increase in the fuel charge id.). However, for the first quarter of 1994, the Company also projects an increase in sales of 101,886,000 KWH over the billed sales from the previous quarter id.). Since total costs will be spread over a greater number of KWH, the effect will be to decrease the fuel charge id.).

According to the Company, the factors leading to the projected increase in recoverable costs for the upcoming quarter are: (1) an increase of \$651,200 in projected purchased power demand and transmission costs; (2) an increase of \$3,692,700 in projected energy costs; (3) a decrease of \$148,589⁴ in the prior period reconciling adjustment; and (4) an increase of \$3,186,843 in the "other adjustment" id.; RR-DPU-1, at 3). The increase in the "other adjustment" represents the elimination of the credit for pre-collected capacity charges plus accrued interest

4 This figure is derived by subtracting the cumulative under-recovery for the 4th quarter, \$2,025,331 (RR-DPU-1 at 3, line 42), from the cumulative under-recovery for the 3rd quarter, \$1,876,742. See D.P.U. 93-3C (1993) Table 1, at line 10.

(Exh. CEC-1, at 7).

III. QUALIFYING FACILITIES

Pursuant to the Department's rules, 220 C.M.R. 8.00~~at~~ seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to the governing regulations, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated rate,i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R. § 8.04(4)(b).

The Company proposed the following standard rates to be paid to QFs during January, February and March 1994:

Energy Rates By Voltage Level (Dollars/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	0.02392	0.02123	0.02164
Secondary	0.02484	0.02209	0.02250

(Exh. CEC-4, Sch. 1, at 1).

Short-Run Capacity Rates (Dollars/KWH)Voltage Level

Primary	0.05364
Secondary	0.05456

(id. at 9).

IV. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of January, February and March 1994, shall be \$0.06649 per KWH. (The calculation of the fuel charge is shown in Table 1 attached to this Order.)

2. that the qualifying facility power purchase rates for January, February and March 1994, shall be the rates set forth in Section III above.

V. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That the Commonwealth Electric Company is authorized to put into effect a quarterly fuel charge of \$0.06649 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meters reading for the billing months of January, February and March 1994, subject to refund; and it is

FURTHER ORDERED That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized

separately on all such customers' electric bills; and it is

FURTHER ORDERED That the Company's Qualifying Facility power purchase rates for the billing months of January, February and March 1994, shall be those set forth in the Table on pages 5-6 of this Order; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED That, pursuant to G.L. c. 164, § 94G (a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,